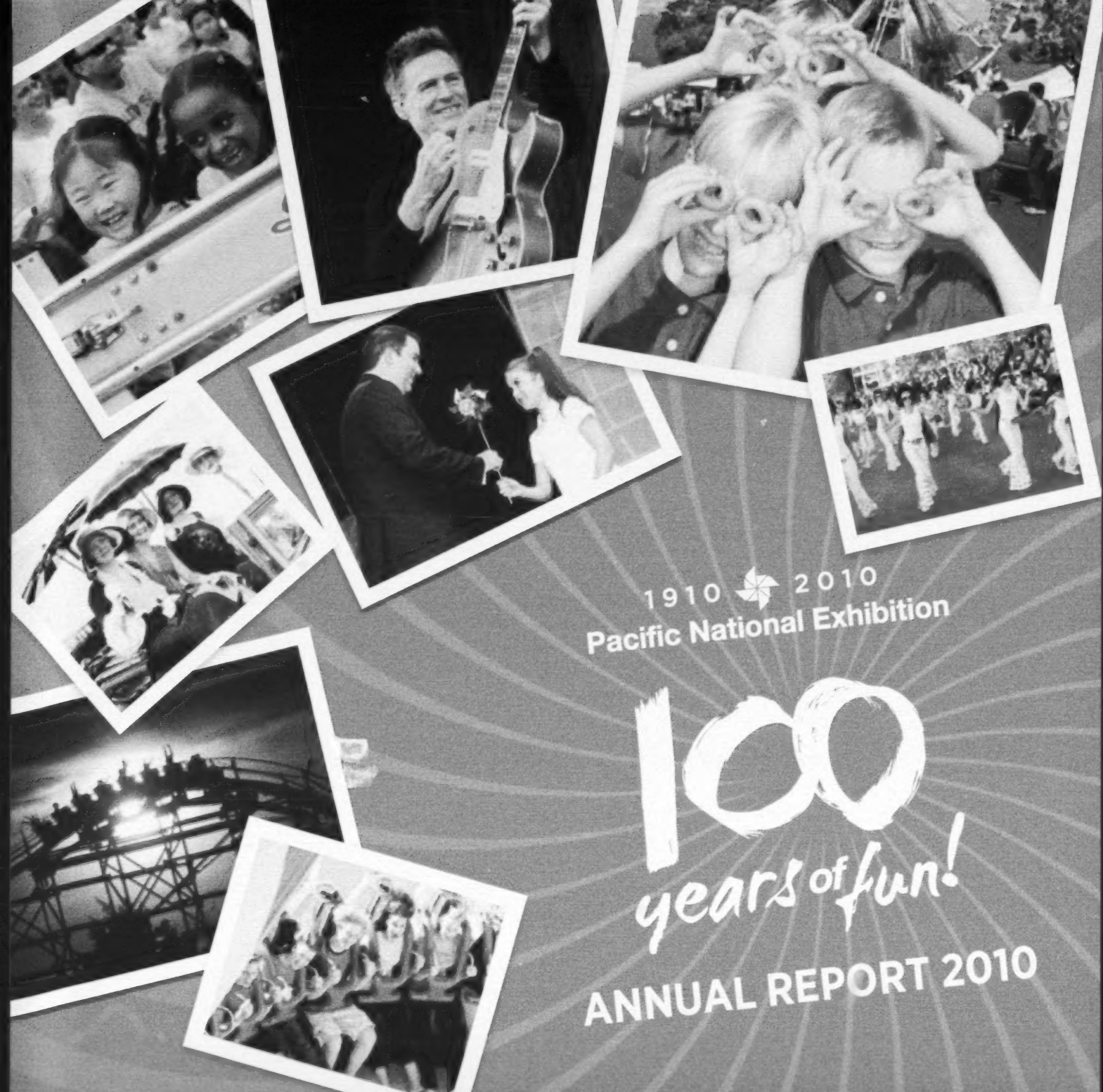




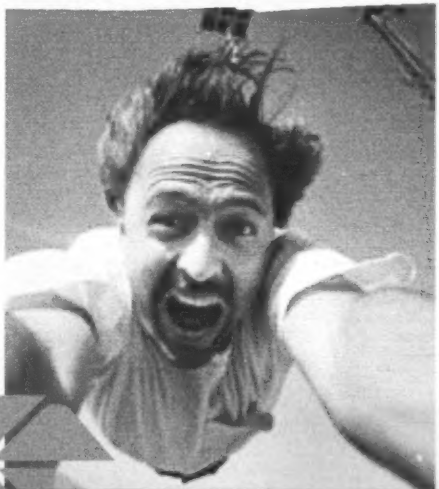
1910  2010
Pacific National Exhibition

100
years of fun!

ANNUAL REPORT 2010



Message from the Chair of the Board of Directors and the President and Chief Executive Officer	3
Overview of the Pacific National Exhibition	4
A Year of Celebration at the Pacific National Exhibition	5
Olympic Glory	6
Empire Field	9
Playland Amusement Park	10
Fright Nights at Playland	12
Year-Round Events	14
The Fair at the PNE	18
More 100th Anniversary Celebrations	21
PNE Prize Home Lottery Program	22
Organizational Highlights	23
Commitment to Sustainability	23
Hastings Park—A Vibrant Urban Park	25
Community Investments	26
Celebrating PNE Achievements	28
Celebrating 100 Years of the PNE Team	30
Looking Ahead	31
Report of Management's Responsibility for Financial Statements	35
Corporate Governance	36
Auditors' Report	37
Statement of Financial Position	38
Statement of Operations and Changes in Net Assets	39
Statement of Cash Flows	40
Notes to Financial Statements	41



MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

This past year was one of great celebration at the PNE. We started 2010 by welcoming the world to the Pacific Coliseum, official venue for figure skating and short track speed skating at the 2010 Winter Olympic Games. Guests experienced powerful moments of competition and the glory of watching Canadian athletes win gold at home. And as we waved goodbye to our last Olympic guest, the PNE team was hard at work on a new temporary stadium at Empire Field that would be ready to welcome the BC Lions in June. Building a 27,000-seat stadium in 112 days is no small feat, and we thank our team and our partners, whose tireless commitment brought this stadium to life at the PNE.

Playland opened in April and, despite the continued economic pressure felt across North America, continued to fare better than most summer attractions. And all the while, the PNE team remained focused on preparations to celebrate the biggest year in their history, our 100th Anniversary Fair. On August 20th, the streets of downtown were lined with families as the iconic PNE parade returned to Vancouver. And the biggest concert event of the summer was held on the Fair's opening day to celebrate our centennial. More than 27,000 guests poured into Empire Stadium to enjoy an afternoon with The Beach Boys and Bryan Adams. Helping to make this an anniversary celebration no one would forget, the PNE was successful in securing a \$2.98 million federal grant to enhance entertainment programming for the Fair. Nightly concert acts like Cyndi Lauper, Joan Jett and the Blackhearts, and Huey Lewis and the News were all free with admission, and more than 937,000 guests came out to celebrate 100 years of fun at the PNE. By fall, Fright Nights was thrilling guests with an expanded experience and while attendance was adversely affected by rain, Fright Nights attendance and net contribution were both up from 2009.

Throughout 2010, the North American recession continued to impact aspects of the PNE business, but the diverse nature of our event mix allowed the PNE to weather the slow economic recovery. Despite many of our facilities being unavailable for events from January through March, our year-round facilities kept the park animated throughout the year with a strong mix of concerts, sporting events, cultural shows, family events and consumer shows. This helped to balance the financial results in Playland, where economic recovery was slower than anticipated, and both attendance and total revenues were lower than projected for the year. We saw a similar trend with the Fair and while attendance and spending were up from 2009, they were lower than expected for 2010.

**HELPING TO MAKE THIS AN ANNIVERSARY
CELEBRATION NO ONE WOULD FORGET, THE PNE
WAS SUCCESSFUL IN SECURING A \$2.98 MILLION
FEDERAL GRANT TO ENHANCE ENTERTAINMENT
PROGRAMMING FOR THE FAIR**

While net revenues were lower than projected, mitigation and prudent management enabled the PNE to generate a positive bottom line for the 12-month period ending December 31, 2010.

And in the final weeks of the year, after many years of planning and public consultation, the City of Vancouver approved a 25 year Master Plan for the redevelopment of Hastings Park. This plan will provide better connections throughout the park, more green space, the expansion of Playland and refurbished facilities that will allow activities on site to prosper in the future. As the PNE steps confidently into our next 100 years, we welcome these park improvements as well as the opportunity to continue our commitment to environmental sustainability and our legacy of providing world-class family entertainment that encourages use of a vibrant urban public park.

To all of the passionate and hard-working staff who continue to go above and beyond, year after year, to make this iconic organization the great success it is, thank you all for being part of the past 100 years, and we invite you to share in the excitement of our next 100. We would also like to thank the Board of Directors for their many hours of service and dedication to the PNE. We look forward to working with you to realize the vision of this organization and believe that our business, ecological and community-minded philosophies will help to make the PNE a financially sustainable organization that benefits Greater Vancouver as well as British Columbia, both economically and culturally, well into the future.



Raymond Louie
Chair, Board of Directors



Michael McDaniel
President and
Chief Executive Officer

OVERVIEW OF THE PACIFIC NATIONAL EXHIBITION

When people think of the Pacific National Exhibition (PNE), it conjures up thoughts of cotton candy and mini-donuts, thrilling rides and the Superdogs—all those iconic things that form the end-of-summer tradition we call "the Fair at the PNE." For 100 years, the Fair has been at the heart of what we do. The Fair was the event our organization was founded on, and for 17 days each year, it brings together over 900,000 guests to celebrate, eat and be entertained. Although the organization has expanded and diversified over the last 100 years, bringing people together to celebrate and enjoy events is still what we do best.

The PNE has proudly been at the heart of Hastings Park since 1910 and is honoured to be the epicentre for events that entertain and shape the experience of our city and its residents. Every year, in addition to hosting the annual summer Fair at the PNE, the longest-running and best-attended ticketed event in British Columbia, the PNE thrills over 300,000 guests at Playland Amusement Park and hosts millions of guests at a wide range of concerts, sporting events, community festivals and cultural activities. We thrive on bringing a diverse range of celebrations to the community, and the ongoing

success of events held on-site reinforces our long-standing tradition of being Vancouver's best place to gather and celebrate.

The PNE is a non-profit registered charity owned by the City of Vancouver. For 365 days a year, the team remains busy producing events as well as operating and managing the Hastings Park facilities, which include the Pacific Coliseum, the Agrodome, the Garden Auditorium, the Forum, Rollerland, the Barns, and 114 acres of gardens and parkland. In addition to hosting a diverse range of events on-site, the PNE also maintains and cares for the gardens and grounds and actively encourages public access to, and use of, the beautiful Hastings Park site throughout the year for walking, jogging, family picnics, riding a bike or walking the dog.

THE PNE IS A CORNERSTONE OF THE VANCOUVER EXPERIENCE

This is the heart of the PNE story:
providing moments of celebration,
sport, music and play, and a place to
spend time with family and friends in
a fast-paced and changing world.

The PNE embraces our tradition
as Vancouver's favourite place to
celebrate and proudly serves as the
hub of social, community and cultural
activities in Vancouver.



CHANGE IN YEAR-END REPORTING

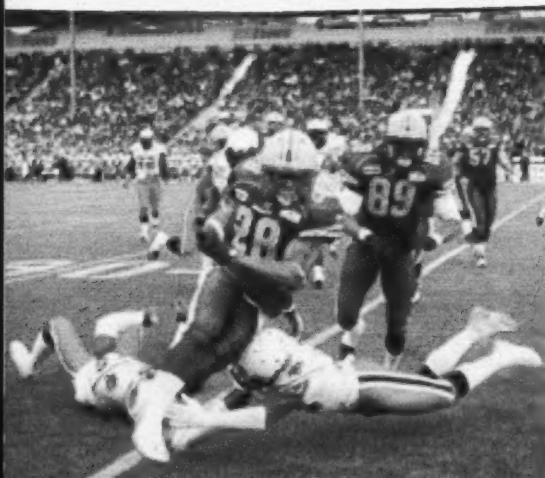
At the start of 2010, the PNE fiscal year-end was changed from December 31 to March 31. As a result, the 2010 annual report will cover a 15-month period from January 2010 to March 31, 2011. For the purpose of accurate financial comparisons to the prior year, revenues throughout the report will be reported from January 1 to December 31, 2010. It will be pointed out when this is the case. The audited financial statements at the end of this report will show the 15-month results ending March 31, 2011. As will be seen in those audited financials, PNE expenditures exceed revenues from January to March each year. This is because the organization spends money to prepare for the season, but revenues do not catch up until after Playland opens in April. The 15-month financial statements will make it appear as though the PNE was in a loss position as of March 31, 2011. In actuality, the PNE returned a positive bottom line of \$507,754 in the 12-month period from January 1, 2010, to December 31, 2010, before starting to invest in the upcoming year.

A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

2010 was a historic year at the PNE, and we are proud to share this extraordinary story. The year opened with Vancouver and our venue, the Pacific Coliseum, welcoming the world at the 2010 Olympic Winter Games. The Pacific Coliseum played host to figure skating and short track speed skating events and to many very special Olympic moments never to be forgotten. As the sun set on 17 days of Olympic competitions, the PNE raced to prepare for the opening of Empire Field, a temporary stadium resurrected on the PNE grounds that, over the next two years, will play host to the BC Lions Football Club and to the inaugural Major League Soccer (MLS) season of the Vancouver Whitecaps FC. The PNE team worked tirelessly with our partners to open this stadium in only 112 days. And as the crowds celebrated BC Lions wins, the PNE put finishing touches on anniversary celebrations and their grandest Fair to be held in 100 years. Without question, 2010 was a year of many great achievements for the PNE, and we were proud to share these moments with our guests and the city.

As we have always done, the PNE continued to provide guests with a diverse range of events and celebrations throughout the year. Highlights included a strong year-round events portfolio of concerts, sporting events and cultural activities, welcoming over 300,000 guests to Playland and an expanded Fright Nights experience, as well as investing an additional \$2.98 million in the Fair to enhance programming and celebrate the biggest year in PNE history.

And to mark the end of the year and the end of an era of uncertainty, on December 14, 2010, Vancouver City Council approved a 25-year Master Plan for Hastings Park that will ensure a vibrant park and growth opportunities for PNE events on-site providing even more occasions to bring the community together. Indeed, it would have been difficult to make this year any more spectacular in terms of the great events that gave us moments to celebrate. The year went something like this...



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

OLYMPIC GLORY

As we entered the new year, Vancouver was busy putting the final touches on preparations to host the 2010 Olympic Winter Games, a worldwide celebration of sport that would put the PNE, Vancouver and Canada in the global spotlight. And on February 12, 2010, Vancouver opened its arms to the world, and the PNE was ready to impress as the official venue of figure skating and short track speed skating, two of the Games' most-watched events. The PNE team was proud to work closely with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) to effectively staff the venue during the Games in key roles such as ice maintenance, ticket takers, ushers, security, and food and beverage operations. The PNE team was also responsible for Olympic merchandise sales at the Pacific Coliseum venue and volunteer accreditation centre.

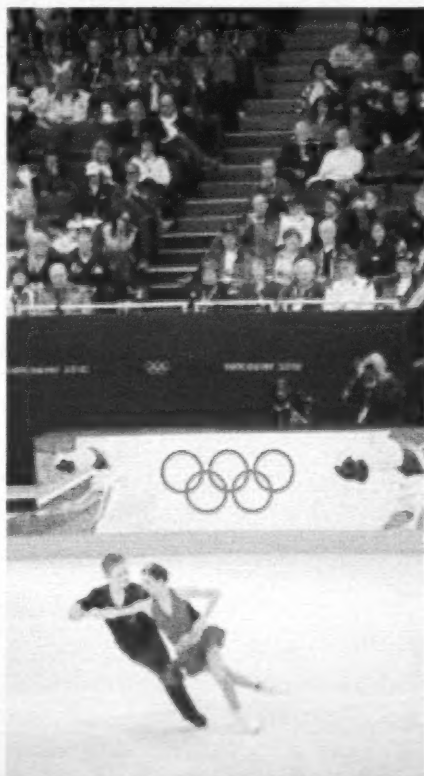
Having received over \$21 million in renovations and decorated in the blue and green of the Vancouver Winter Games colours, the Pacific Coliseum proudly welcomed more than 100,000 guests through its doors and celebrated many great moments during the Games. The Canadian figure skating team of Scott Moir and Tessa Virtue flawlessly danced into history, capturing both hearts and a gold medal with the first ice dancing victory for North America. And the crowd erupted in emotion as Canadian skater Joannie Rochette finished her program, beating the odds and emotion to win a bronze medal in the women's individual competition, just days after suffering the devastating death of her mother.

Another incredibly stirring memory from the Pacific Coliseum came on the final night of the Olympic short track speed skating events. The air was electric and everyone in the building wanted so badly for Charles Hamelin, Canadian short

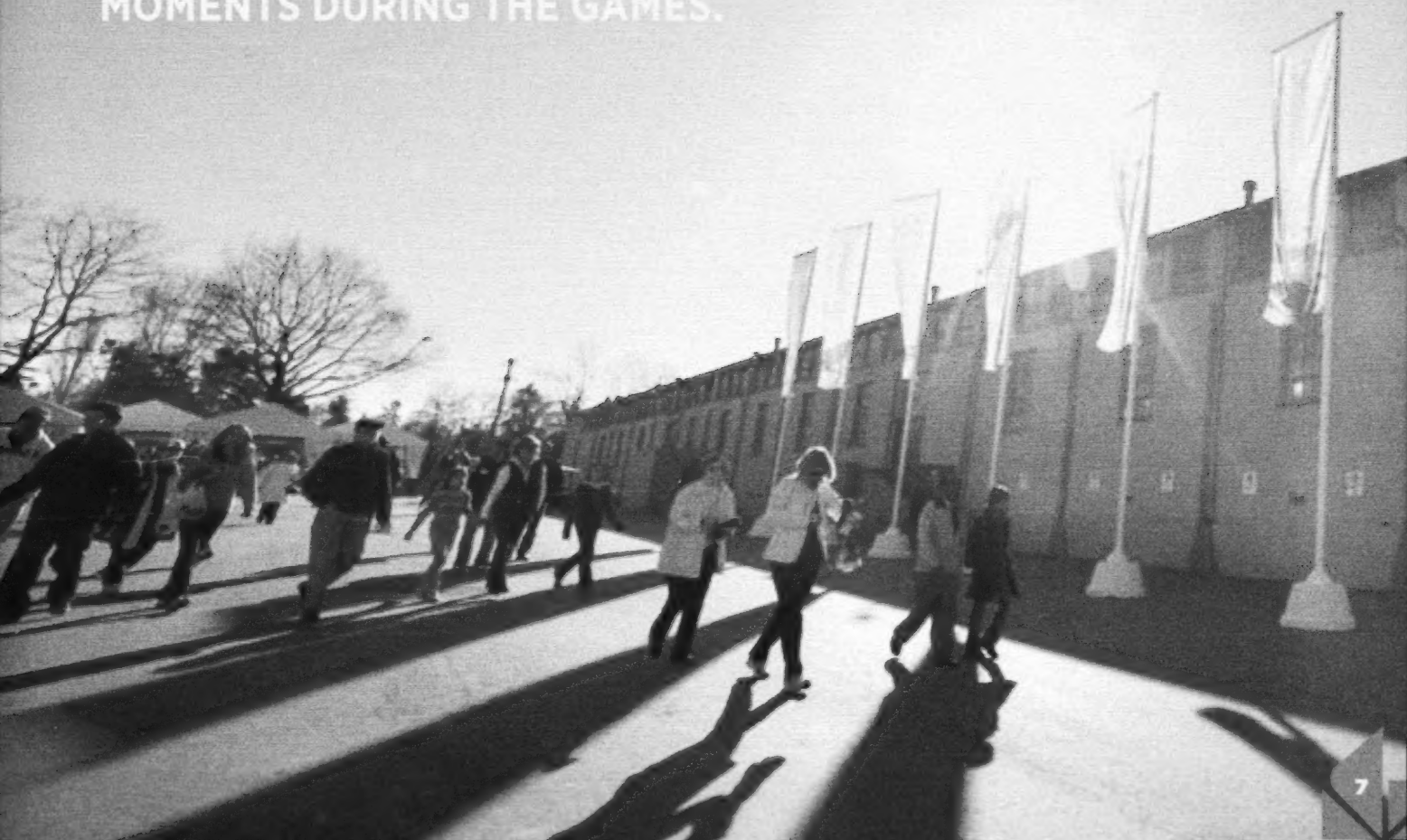
track hopeful, to win this race. A combination of fate and US skater Apolo Ohno had interrupted Charles's medal hopes during his last two race attempts. Marianne St-Gelais, fellow Canadian short track skater and Charles's girlfriend, had won two silver medals the evening before, and the crowd had revelled in her celebration on the podium after her victory lap wearing the Canadian flag as her cape. Tonight, she eagerly paced by the boards. This time, it looked like Charles would stay out in front and the crowd screamed and cheered as his blade crossed the finish line to win his first gold medal. This time, no victory lap, just a race to the boards where Marianne jumped into his arms. They hugged and kissed and the crowd knew this was no ordinary medal—this was the introduction of the golden couple of Canadian short track. We couldn't have been prouder to have it happen at the Pacific Coliseum.

During the 17 days of skating events at the Coliseum, Canada was able to celebrate a gold and bronze medal in figure skating and five medals (two gold, two silver and one bronze) in short track speed skating. The Coliseum was an intense and lively venue during the Games and its history and intimacy infused the building, helping to take the experience to a whole other level.

And while the Pacific Coliseum saw the glory of competition, many other PNE facilities quietly helped to ensure the Games were a huge success. The Agrodome acted as the operations hub for the PNE Olympic site, Rollerland was transformed into a press centre for Pacific Coliseum events, and the Forum served as the VANOC volunteer accreditation centre. The PNE will continue to benefit from the upgrades made to these facilities in preparation for the Olympics, and from the 2010 Olympic legacy, well into the future.



HAVING RECEIVED OVER \$21 MILLION IN RENOVATIONS AND DECORATED IN THE BLUE AND GREEN OF THE VANCOUVER WINTER GAMES COLOURS, THE PACIFIC COLISEUM PROUDLY WELCOMED MORE THAN 100,000 GUESTS THROUGH ITS DOORS AND CELEBRATED MANY GREAT MOMENTS DURING THE GAMES.





A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

A NEW TEMPORARY STADIUM AT EMPIRE FIELD

While the world celebrated the final Olympic moments, the PNE team was also busy working with BC Pavilion Corporation (PavCo) to begin construction on a new temporary 27,000-seat outdoor stadium at Hastings Park. PavCo's facility, BC Place Stadium, was scheduled to undergo major renovations after the Olympic Games to install a new retractable roof. As BC Place would be closed for a minimum of 18 months, PavCo needed to find a new home for the BC Lions Football Club and for the Vancouver Whitecaps FC, who would launch their inaugural MLS season during the renovations.

The temporary stadium was a natural fit with the PNE site. Back in the 1950s, the original Empire

Stadium had been constructed at the PNE to host the British Empire and Commonwealth Games and, for almost 40 years, it was the site of many great moments. Empire Stadium marked the achievement of runners Bannister and Landy during the Empire Games, as both athletes broke the four-minute mile, which would be forever known in sports history as the Miracle Mile. Empire later became home to the BC Lions Football Club, the original Vancouver Whitecaps team, and it played host to many historic concerts over the years. Most notably, Elvis played his first Canadian concert at Empire Stadium in 1957 and the Beatles made their Canadian debut at Empire in 1964.

The original stadium was taken down and converted to community sports fields in 1993 after BC Place was constructed. As a result, there was still a natural location for the stadium to be

reconstructed temporarily while BC Place was under renovation. Ground broke on the temporary stadium within days of the Olympics ending, and 112 days later, on June 20, 2010, the gates opened for the BC Lions football season home opener. The PNE team was very proud to be responsible for this stadium's operation, making this unique opportunity another landmark success for the organization. Public response to the temporary stadium was extremely positive and the city was filled with nostalgia as guests attended football games at the historic stadium site. During 2010, the temporary stadium at Empire Field hosted 11 football games and one major outdoor summer concert in celebration of the PNE's 100th Anniversary.



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

PLAYLAND AMUSEMENT PARK

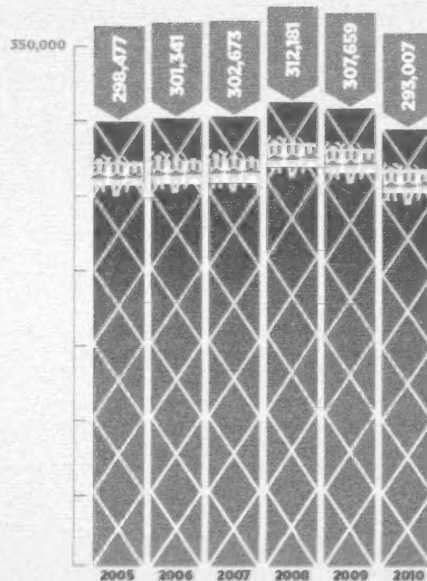
Although construction was well underway on the new temporary stadium during the spring of 2010, the PNE team also remained focused on making sure Playland, a beloved family attraction, was ready for a summer full of guests. This year, Playland opened April 24th and was in full swing for 95 operating days through September 26th. Based on how the calendar dates fell, the 2010 season consisted of two fewer operating days than in 2009 and the park played host to 293,007 guests throughout the season. Attendance in the park was 4.7% lower than in 2009 as we continued to feel the impact of the economic recession felt across the globe and experienced cooler, wetter weather than what was normal for this time of year. The economic downturn primarily affected company spending on large corporate events, although group sales still brought in over 88,000 visits through a variety of programs. In an effort to counteract economic effects, birthday party programs were enhanced, and educational programs were expanded to bring in new group sale visits. **See Figure 1 for Playland's six-year attendance trend.**



Despite the decrease in overall attendance, Playland still had a very strong season and, once again, fared better than most summer tourist attractions which felt more significant impacts to attendance and spending. Highlights of the 2010 Playland season included:

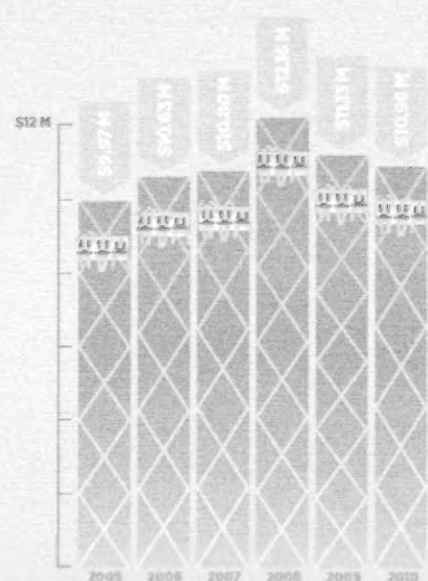
- The Amusement Park Science and Physics program generated 25,043 visits by primary and secondary school students to study the "science of fun" at Playland. This was an increase over 2009 program attendance and the program ran for nine dates in 2010. As well, this program was expanded to include a new "marketing day" where high school students could come learn about the core elements of marketing such as advertising and pricing. This new program ran one day and drew 1,267 visits in its first year.

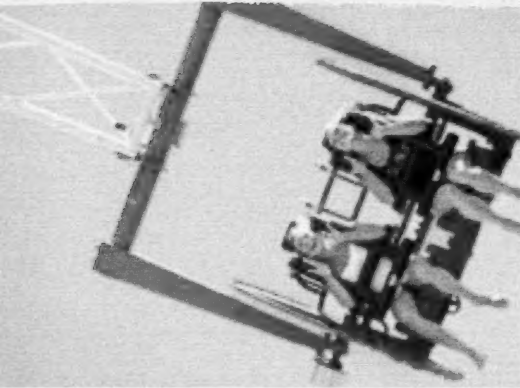
Figure 1
Playland Attendance



- The 2010 Birthday Party program in Playland hosted 460 birthday parties (2,760 kids and 1,380 adults) and investments were made in new tents and celebration areas for families to celebrate these special occasions.
- Playland hosted 52 Corporate VIP events resulting in 26,233 park visits, a very strong program in 2010 in light of economic conditions.
- Based on December 31 year-end for comparative purposes, total revenue from Playland operations reached \$10.96 million in 2010, and while this was down 1.5% from \$11.13 million in 2009, this was a smaller decrease in revenues than was seen from 2008 to 2009. In 2010, revenues were down primarily due to lower than expected per capita spending on-site. **See Figure 2 for six-year revenue trend.**

Figure 2
Playland Gross Revenue

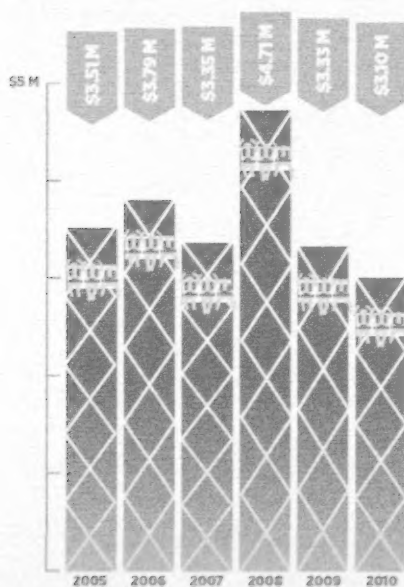




- Operating surplus was \$3.10 million in 2010, down 7% from 2009 but again, a smaller drop in net revenues than was seen from 2008 to 2009, where we experienced a 22% drop in net revenues. **See Figure 3 for six-year trend.**

In 2010, attendance and revenues in the park were slightly down from 2009 but did not drop as significantly as we saw from 2008 to 2009.

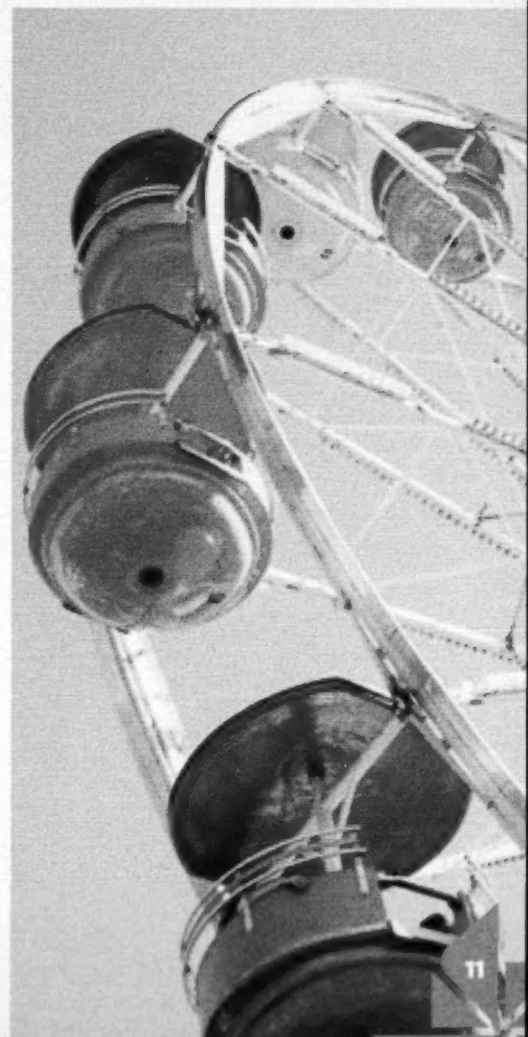
Figure 3
Playland Net Contribution



Although economic recovery was slower than anticipated, Playland fared very well compared to other summer tourist attractions. This is despite the fact that there has not been significant capital investment in the thrill ride mix for several years. As a regional amusement park with a teen demographic focus, our guests are thrill ride focused and return year after year. To keep them engaged, the experience must remain fresh.

In November 2010, the PNE Board of Directors approved a motion allowing the management team to explore capital investment in a new thrill ride for the 2011 season. This will have a very positive impact on attendance in 2011. As well, in December 2010, the 25-year Hastings Park Master Plan was approved by Vancouver City Council. This will also yield positive future results for Playland by providing for investment and expansion, which will allow Playland to maximize its potential as a regional theme park.

Continued focus on the elements that contribute to Playland success—such as capital investment in attractions as well as a focus on group sales, off-site ticketing, site appearance, guest services, leveraging technology, retaining a strong operational team and providing safe, fun family attractions—will continue to keep Playland at the forefront of success for years to come.



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

FRIGHT NIGHTS AT PLAYLAND

Each year, as the sun sets on the summer Playland season, the park is transformed with creepy décor, haunted houses and live actors into the scary and exciting Halloween experience called Fright Nights. After eight seasons, this event has become Vancouver's premier event for teens and adults during the Halloween season. As Halloween continues to grow in its popularity across North America, the PNE continues to invest in growing this event and in taking the guest experience to an even more frightening height. Again in 2010, the footprint was expanded to include additional rides (now totalling 19) and another new haunted house. This clown-themed house was a huge hit with guests and generated significant media attention. In 2009, the capacity of the houses was more than double to relieve long lines and guest wait times. We continue to invest in the quality of attractions, shows and roaming cast members in order to enhance the guest experience.

In 2010, Fright Nights ran 17 consecutive nights between October 15th and 31st. Highlights of the Fright Nights season included:

- The PNE again partnered with a company specializing in haunted décor to improve the type, style and quantity of scary features within each house and throughout the park. After engaging this new partner in 2009, guest feedback on the quality of the enhanced experience was phenomenally positive.

- Fright Nights experienced 7 days of rain in 2010, compared to 8.5 days of rain received in 2009. As a result of this, as well as improved guest experience and growing event momentum, attendance was up by 18% or 11,030 visits from 2009, for total attendance of 71,582 guests in 2010. See *Figure 4 for six-year attendance trend.*
- Total revenues for 2010 were \$2.27 million, up by 27% over 2009, resulting in a net contribution of \$983,192. This net contribution is 14% higher than in 2009 based on December 31 year-end for comparative purposes. See *Figures 5 and 6 for six-year trends.*
- In 2010, we continued with the Fright Nights ticketing strategy that was put in place in 2009 to manage attendance levels on high demand weekend nights. Tickets were again only available online through pne.ca and guests were required to purchase tickets for specific nights. This allowed a tighter control over the attendance on individual nights, the ability to cut off ticket sales for any given night, and the ability to sell out the most popular nights. It does, however, mean that guests do not purchase tickets as far in advance, as they wait to see what the weather will be like closer to the day of the event. There have been several changes in ticketing strategy over the course of this event's eight-year history and the goal is to now keep this ticketing strategy consistent so guests can adjust and learn to reap the advantages of it.

Figure 4
Fright Nights Attendance



Figure 5
Fright Nights Gross Revenue





Figure 6
Fright Nights Net Contribution



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

YEAR-ROUND EVENTS

At the PNE, the management team is often asked, "So what do you do for the rest of the year?" Well, let us tell you. Although the PNE is synonymous with Playland and the summer Fair, the less well-known but very dynamic aspect of the PNE business involves the year-round management and operation of six facilities on the Hastings Park site: the Pacific Coliseum, Rollerland, the Garden Auditorium, the Forum, the Agrodome and the Livestock building. The use of these facilities allows the PNE to bring a wide range of events and entertainment to the site, including local, national and international concert productions, sporting events, festivals, community and cultural events, consumer shows, trade shows and film shoots. This landscape of events is ever-evolving and the use of these facilities allows the PNE to remain flexible enough to respond to changing market conditions and to continue to bring events to the site that reflect the diverse interests of our community. The strength of this portfolio also provides financial balance against our more weather-dependent outdoor events such as Playland, the Fair and Fright Nights.

The key to year-round event success is based on the PNE's ability to adapt to fluctuations and volatility within this business stream from year to year. There are a number of ways the PNE does this, including developing close relationships with event partners and promoters, remaining current on industry trends, and working to anticipate market shifts within these industries. The diversity of the year-round event portfolio allows the PNE to weather shifting economic conditions, helping to ensure that the site remains busy and active with events for the community to enjoy year-round.

Total revenues from year-round events were \$13.53 million in 2010 (for year ending December 31). This was up 35% or \$3.52 million from the same period in 2009. **See Figure 7 for six-year revenue trend.** Factors contributing to the increased revenue include double the number of concerts held on-site (16 vs. 8 in 2009) and almost double the number of people in attendance at those concerts (71,000 vs. 39,000 in 2009), and film revenues that were up 18% as a result of several large Hollywood productions shooting locally, as well as an increase in consumer and trade shows on-site. Overall, the diverse combination of events on-site provided a

Figure 7
Facility Sales Gross Revenue

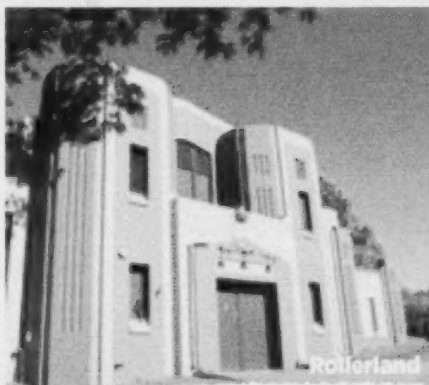


net contribution of \$4.14 million, a 34% increase over 2009. **See Figure 8 for six-year trend of net contribution for year-round facility sales.** Highlights of the 2010 year-round events portfolio are as follows:

Sporting Events

The year began with the largest sporting event in the world on-site. For 17 days, all eyes were on the Pacific Coliseum as Vancouver welcomed the world to figure skating and short track speed skating events for the 2010 Olympic Winter Games.

Outside such a grand event, however, the PNE is very proud to remain at the centre of local amateur sport. The events hosted on-site are



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

Figure 8
Facility Sales Net Contribution



diverse and, like so much else that the PNE does, these events meet the broad range of interests throughout the community. From junior hockey to community ice time, Little League practice to the annual Terry Fox Run, the PNE is a key location for amateur sport in BC. Highlights of sporting activities held at the PNE throughout 2010 include:

- The 2010 Olympic Games put the Pacific Coliseum in the global spotlight and the world was able to share in 17 days filled with emotion, intense competition and good sportsmanship. In the end, Canada was able to celebrate three gold, two silver and two bronze medals, all won by Canadian athletes at the Pacific Coliseum.

- The Pacific Coliseum is also home to the Vancouver Giants Junior Hockey franchise. In 2010, the team played 33 regular season games at the Coliseum with a strong playoff run of eight games. Season attendance was 184,511 and this accounted for \$2.18 million in revenues and a net operating surplus of \$353,668 for the season (for year ending December 31). Both total revenues and net contribution were lower than in 2009, simply because fewer games were played at the Pacific Coliseum. The season was adjusted to accommodate hosting the Olympics on-site and approximately 20% of the season was played at an alternate venue.

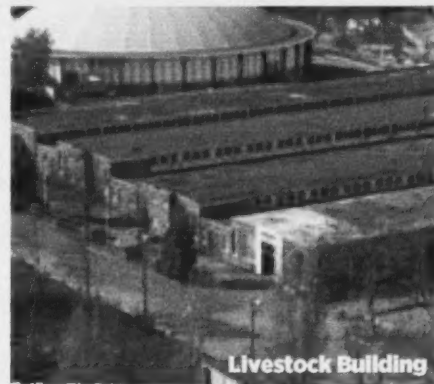
- The BC Boys Basketball Provincial Championships were held on-site in March 2010, drawing 10,137 guests over five days of competition at the Agrodome.
- The PNE also proudly hosted over 3,000 students from 10 local schools in the surrounding community to participate in an annual Terry Fox Run. This was almost double the number of students in the previous year.
- The Oldtimers' Hockey Challenge is an annual charity event and continues to be a fan favourite at the Pacific Coliseum.

- Other sporting groups hosted on-site include minor hockey, adult hockey groups and figure skating clubs, accounting for over 1,055 hours of community ice time.

Concerts

At the PNE, 2010 was a fantastic year for showcasing music and artists. We are proud to play a central role in showcasing mainstream artists as well as many less well-known artists and genres of music. The site was very active with concerts throughout the year as we played host to 16 concerts including several of the biggest concerts in Vancouver last year. Highlights included:

- The PNE achieved \$1.97 million in total concert revenues compared to \$984,000 in 2009. This translated into \$649,309 in net contribution for 2010, or a 118% increase over 2009 (based on December 31 year-end).
- Concerts included shows by the Stone Temple Pilots, the Eagles, the Grammy award-winning group Muse, deadmau5, The Black Label Society's Berzerkus Tour, Arcade Fire, Alexisonfire, Primus, Phoenix, Rob Zombie and Alice Cooper.



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

- Most notably, The Beach Boys and Bryan Adams played a four-hour show in Empire Stadium to a sold-out crowd on the opening day of the 100th Anniversary Fair.
- The PNE continued to build new promoter relationships and remained focused on showcasing newer genres and artists.
- In total, 71,085 guests attended concerts at the PNE in 2010, up from 39,353 guests during the same period in 2009.

Cultural Events

As the epicentre of cultural activity and a place to celebrate diversity, the PNE hosts a dynamic range of events throughout the year. Highlights of cultural programming in 2010 included:

- Several new shows came to the PNE last year including A.R. Rahman's Jai Ho concert in September, Babbu Maan in July and Fusion Dreams in May.
- One Ismaili festival was held on-site in July, utilizing the Pacific Coliseum and the Agrodome.
- With plans to utilize several PNE facilities for public celebrations during the 2010 Olympic Winter Games, the PNE entered negotiations with Russia House Canada Inc. to bring Russian cultural performers to Vancouver. Unfortunately, the promoter was unable to bring these plans to fruition, and the event was cancelled several weeks before the Olympics began.
- In December, we welcomed the 2010 Vancouver Christmas Gifts and Food Fair as a new event to the site. It was a two-day event showcasing performers from the Filipino community as well as tasty, traditional foods and unique gifts.

Family Events

The PNE is proud to be a leader in providing world-class family entertainment. We do this not just through our Fair celebrations, but also through the many other family shows we showcase on-site. Family programming at the PNE in 2010 included:

- Disney On Ice brought "Let's Celebrate!" to the Pacific Coliseum for eight performances in November. Although attendance at the show was only 42,504, notably down from 2009, this was primarily due to the fact that for the first time, Disney was also running the same show at a venue within a one-hour drive of the PNE, splitting attendance between our site and Abbotsford.
- The Garden Auditorium is home to CircusWest, the circus training school and in May, CircusWest hosted their annual show, "Around the World in 80 Days", to rave reviews.
- Thousands of young children were mesmerized by The Wiggles in October.

Film Activity

We experienced a notable increase in film activity on-site throughout 2010. Film activity was down in 2009 due to limited facilities available on-site during Olympic preparations as well as the economic recession, which strongly impacted the North American film industry. This industry picked up again in 2010 and the PNE hosted a number of film shoots and productions throughout the year. Highlights included:

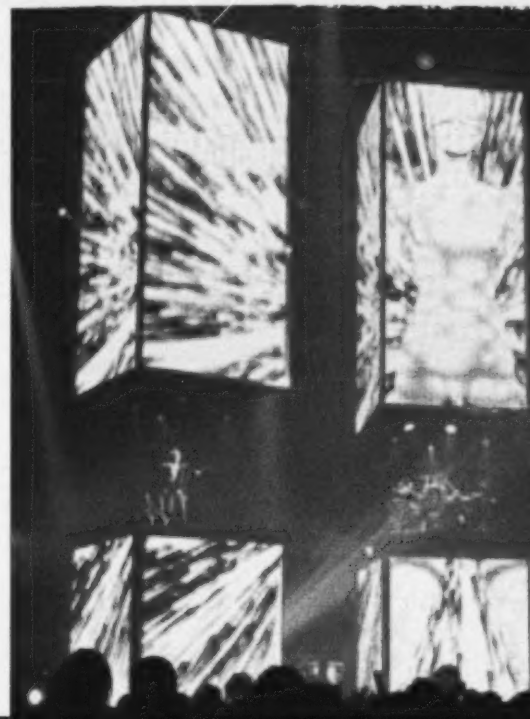
- Total film revenues for 2010 were \$406,008, an increase of 18% over 2009 based on a December 31 year-end.
- In 2010, 19 different film companies rented facilities at the PNE for a total of 229 days throughout the year. This was a smaller

number of productions and film days than in 2009, but the productions were larger and higher profile. Movies that shot on-site included *Diary of a Wimpy Kid* and *Planet of the Apes*.

- PNE facilities used for film activity in 2010 included the Forum, Agrodome, Rollerland, the Livestock Barns, Playland amusement park, parking lots and, occasionally, areas of the outside grounds.
- The PNE sales team continues to build strong relationships in the film industry to ensure that the organization is well positioned and can capitalize on increased market activity.

Dance Parties

With the success of this model on-site and the PNE's experience in hosting these events, the



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

PNE continues to be one of the best locations for promoters to host all-night dance parties in safe, well-managed venues. The PNE hosts several of these parties throughout the year and during special occasions like Halloween, there may be several events in different venues across the site. During 2010, the PNE hosted 11,842 guests at four all-night dance parties, as well as an additional 5,456 guests at two specially themed Halloween dance parties. One of the highlights from 2010 included a performance by Tiesto, the world's biggest DJ/producer.

Trade Shows

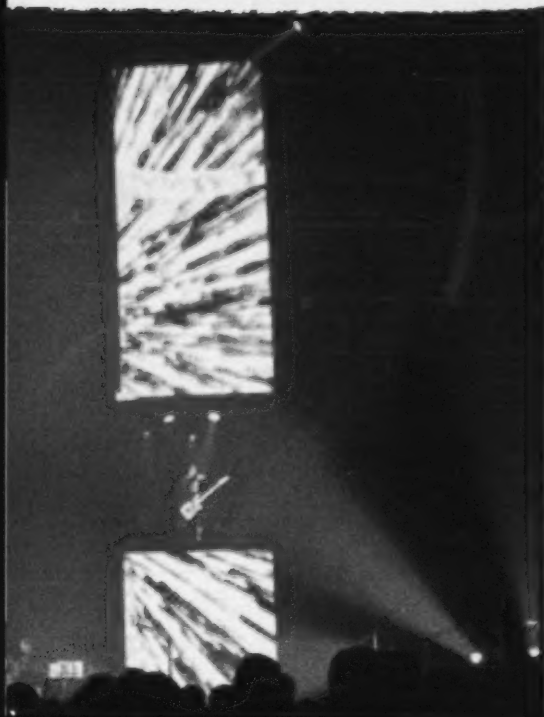
In 2010 the PNE revamped the trade show business model and as a result, experienced a healthy increase in bookings. Six industry trade

shows and three retail warehouse sales were hosted on-site. These included:

- Lordco Auto Parts trade show
- Gordon Food Service show
- Motorcycle parts swap meet
- Business, Franchise & Investment EXPO
- Vancouver Gift Expo
- Western Grafik'Art Trade Show
- Two Petite Feet designer shoe sales
- Ronsons shoe sale

General Events

With the mix of facilities available, the PNE also keeps the site busy with other activities such as the national Certified Financial Analyst (CFA) exams, the Vancouver Police Department swearing-in ceremonies, corporate Christmas parties, local dances and fundraisers, school reunions and meetings, and the WorkSafeBC Day of Mourning ceremony. The PNE really is a year-round hub of activity—activity that is important and relevant to our communities.



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

THE FAIR AT THE PNE

The 2010 Fair at the PNE was planned as a grand celebration of the PNE's 100th Anniversary. This beloved end-of-summer tradition for millions of British Columbians is the largest ticketed event in BC and was loaded with festivities and entertainment for all ages between August 21st and September 6th. Fair programming for the anniversary was enhanced through a unique federal funding opportunity called the Marquee Tourism Events Program (MTEP), and the PNE secured a federal grant for 2010 in the amount of \$2.98 million to help bring this celebration to life.

What impact did this grant have on programming? It allowed the PNE to put on its biggest Fair in history and invest in marquee entertainment that would make the 100th Fair both spectacular and unforgettable. Anniversary celebrations started the night before the Fair opened, as the PNE brought back the iconic PNE parade to the streets of downtown Vancouver. Over 150,000 guests lined the sidewalks of English Bay to see 100 years of PNE magic travel through the picturesque streets, paying tribute to the special memories and highlights of the Fair's 10 decades of history. Featuring giant parade balloons and a cast of over 2,000 performers, this parade was a free family celebration.

And on opening day, we definitely got the party started! The gates opened and we began with opening ceremonies that featured equestrian riders, dignitaries, performers and speakers who reminisced about the great moments the PNE has brought to life over 10 decades. Then we opened with the biggest concert event of the summer. The signature band of summer, The Beach Boys, entertained cheering crowds for two hours and then made way for international music superstar Bryan Adams. We felt Bryan was a very relevant

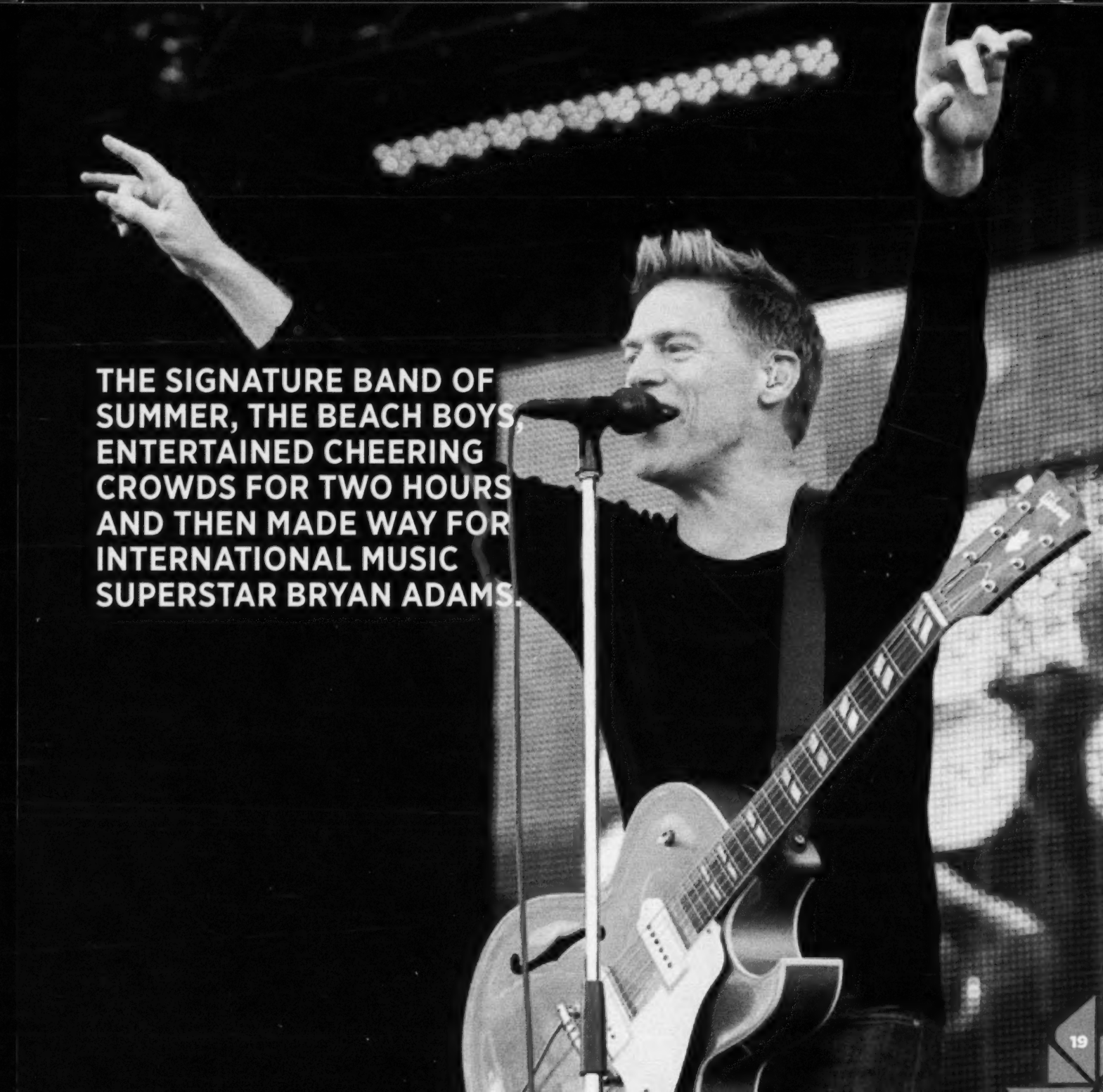
concert choice, as he was born and raised in BC and has spent many career moments performing at PNE venues.

Additional free daily entertainment designed to celebrate our 100th Anniversary included the 100 Years of Fun birthday party parade and KABOOM!, our nighttime pyrotechnic musical spectacular, which transported guests through the sights, sounds and music of the past century. The BC Sports Hall of Fame display took guests through the great sport moments that took place on the PNE site, such as the Miracle Mile, the 2010 Olympic Winter Games and more. The PNE also held the Canadian Navy Centennial Tattoo on-site as a joint celebration with the Canadian Navy, who were also celebrating their 100th anniversary.

The most significant daily celebration was our Anniversary Summer Night Concert series. Every night, great acts like Michael Bolton, Cyndi Lauper, Huey Lewis and the News, Wayne Newton, Joan Jett and the Blackhearts, and Kevin Costner played to standing-room-only crowds on the main concert stage. All these shows were free with admission, designed to draw guests to the Fair to help us celebrate our 100th Anniversary and provide great memories for years to come.

Overall, we consider the 2010 Fair to have been a huge celebratory success; unfortunately, several days of rain kept it from being record-breaking financially and in terms of attendance. While both attendance and revenue were up from 2009, they were lower than anticipated for 2010. This certainly had an impact on overall organizational finances but did not dampen the celebratory spirit of the 100th Anniversary Fair. Other highlights from the Fair included:

- The federal grant of \$2.98 million was used to fund or enhance the following Anniversary programs: the downtown parade, opening ceremonies and opening day concert, our nighttime show KABOOM!, the international sand sculpture competition, the Anniversary Summer Nights Concert Series, the Navy Tattoo, Kidz Discovery Farm, live music at Tributes, KC's concerts, It's a Candy Nation interactive display, the Green Scene and the RCMP Musical Ride. We thank the Government of Canada for their generous support of our 100th Anniversary celebrations.
- All PNE staff wore 100th Anniversary uniforms on-site, making a strong visual statement. Many exhibitors also chose to participate, making staff all across the site look very celebratory.
- Container Art, an urban, adaptive art installation featuring sculptures, paintings and works from the local artscape, was back for its second year. The exhibit included 40 shipping containers and 12 art installations, as well as light and sound.
- The Peking Acrobats were brought back by popular demand and lineups to see this performing troupe were as long as ever.
- Programming for kids included KC Bear's Street Party (with characters like Curious George, Clifford the Big Red Dog and Super Why); Farm Country and the Petting Experience; that iconic favourite, Superdogs; It's a Candy Nation (the history of your favourite candy); the 100 Years of Fun parade; Kidz Discovery Farm; and KC's Concerts with daily shows by the Backyardigans, Shrek, Doodlebops, and Bobs & LoLo.
- The Fair continued its tradition of providing a "free day" for the community to enjoy, where gate admission is free from 9 a.m. until noon. In 2010, the free day was held on Sunday, August 22nd, resulting in another blockbuster crowd of over 80,000 guests.



**THE SIGNATURE BAND OF
SUMMER, THE BEACH BOYS,
ENTERTAINED CHEERING
CROWDS FOR TWO HOURS
AND THEN MADE WAY FOR
INTERNATIONAL MUSIC
SUPERSTAR BRYAN ADAMS.**

A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

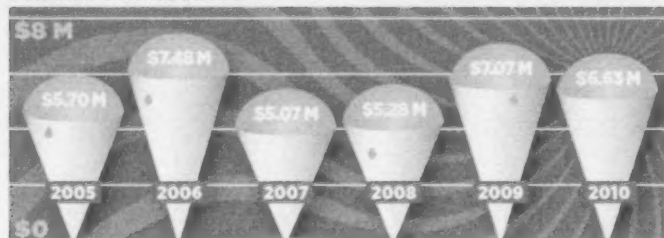
Figure 9
Fair Attendance



Figure 10
Fair Gross Revenue



Figure 11
Fair Net Contributions



• Despite several days of rain and slower than expected economic recovery, 937,485 visitors came out to celebrate our 100th Anniversary Fair. This was a 9.6% increase over 2009 or an additional 82,000 guests. **Please see Figure 9 for six-year attendance trend.**

• Total Fair revenues were strong at \$26.06 million, up from \$25.82 million in 2009 but lower than what we expected for 2010. This resulted in a net contribution of \$6.63 million for 2010, down from \$7.07 million in 2009 based on December 31 year-end. **Please see Figures 10 and 11 for six-year trends in total revenues and net contributions for the Fair.**

• The Fair also continued its long-standing tradition of working with a number of charity partners to promote local causes. Opening day of the Fair included a by-donation pancake breakfast in support of the Canada Safeway Foundation, and the Construction exhibit was a partnership with the Greater Vancouver Food Bank Society to raise food and money donations to support its efforts in the local community. The Fair's annual agriculture auction raised over \$36,560 for the BC Youth in Agriculture Foundation, and over \$5,000 was raised on-site for The Vancouver Sun Raise-a-Reader program during its August 27th Fair activation.

Overall, the 2010 Fair was a huge celebratory success. Feedback from guests was outstanding and it provided us with a great opportunity to share our 100th Anniversary with our guests. Attendance and revenues were up from 2009, but inclement weather and slower than expected economic recovery meant that we did not hit 2010 attendance and revenue targets. Investments in programming, MTEP funding support, and our 100th Anniversary celebrations all helped to make the 2010 Fair truly one to remember.



A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

MORE 100TH ANNIVERSARY CELEBRATIONS

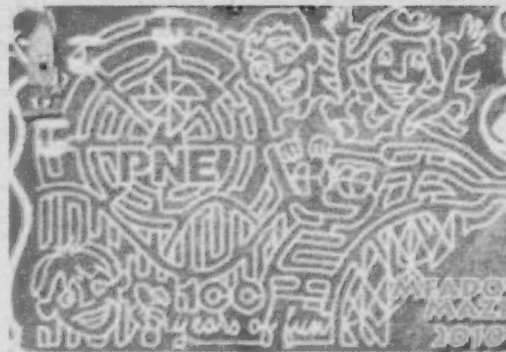
Above, we outlined the many 100th Anniversary celebrations that took place as part of the 2010 Fair. We also want to take a moment to share some of the initiatives that took place throughout the rest of the year.

- In July, the PNE hosted a charity golf tournament in honour of the 100th Anniversary. This tournament brought together PNE management, media, suppliers and sponsors and raised over \$18,893 for Hastings Little League to put toward their plans to host the 2016 Little League National Championships.
- Beginning in 2009, the PNE began putting together a 100th Anniversary commemorative book. We engaged renowned storytellers Echo Memoirs to work on the project, and on July 1, 2010, the PNE proudly introduced 100 Years of Fun. The hardcover book is a colourful portrayal of the PNE story, its historical moments, and how the organization became part of the fabric of BC and transformed itself as times required. The book is for sale on the PNE website and was provided to media, sponsors and suppliers as a token of thanks for their support over the past 100 years.
- In July, PNE banners were installed along major thoroughfares throughout the city. The banners brightly and proudly celebrated five themes—100 years of fun, family, sports, music and rides. These banners were also hung throughout the site for months leading up to the Fair and after, as a nod to the great history of the site.
- Using the same themes, the Pacific Coliseum was wrapped in eight 40-foot banners from August through December

- In early August, we worked with our partners **The Vancouver Sun** and **The Province** to do a 16-page editorial on the great moments of PNE history. This piece was published in both newspapers in the weeks leading up to the Fair.
- In May, a TV and radio campaign was developed in support of the 100th Anniversary.



It was a series of four spots that took the listener or viewer through the generations of memories one family experienced at the PNE. From great-grandfather, to grandmother, to dad, to daughter, each spoke of the things that had meant the most to them over the years—sports, music, rides and time with family. The campaign was a celebration of 100 Years of Fun. This campaign was also woven together to form a three-minute corporate



video that can be used in the future to help presenters tell the story of the PNE.

- A very unique opportunity presented itself to the PNE in March 2010. Meadows Maze, a well-known local corn maze and activity farm, proposed the idea of having the maze cut-out represent the 100th Anniversary. We worked with this team to develop a design of rides, mini-donuts and agriculture that families could find their way through all summer. The only way to identify the theme of the maze was by aerial shot, and the design turned out fantastically. What a fun way to get the community involved in celebrating our Anniversary. We thank Meadows Maze and the Hopcott family.
- 100th Anniversary pins and promotional items were given away to the public and to our partners throughout the year.

Overall, 100th Anniversary celebrations were far reaching, significant in scope and consistent in their message. The PNE is very proud of our history and of the Anniversary celebrations that allowed us to share this story with the city and our guests.

A YEAR OF CELEBRATION AT THE PACIFIC NATIONAL EXHIBITION

PNE PRIZE HOME LOTTERY PROGRAM

"Win a House! Win a Car!" The PNE Prize Home Lottery is BC's original and still most affordable home lottery program with 76 years of tradition behind it. The prize home remains one of the most iconic attractions of the Fair experience, and as the ropes drop to start each day of the Fair, guests still run to the home.

The 2010 home was a 3,000-square-foot craftsman-style modular home built by our partner Britco Structures and included many energy-efficient features compliments of Terasen Gas (now FortisBC). The home came fully furnished by Lane Home Furnishings and included \$2,500 in groceries from MarketPlace IGA. The gourmet kitchen appliances and outdoor living package were provided by Home Depot. Additional draw prizes included 13 luxury vehicles from the Jim Pattison Auto Group and a cash prize draw of \$25,000 that was introduced this year.

Revenues from the lottery program help to support a variety of non-revenue-producing programs at the PNE, including the 4-H festival and agricultural programming, the multicultural and community stage, the Miracle Mile Athlete Bursary, and a large number of other community programs. All prize draws were held September 8th. Highlights of the hugely successful 2010 Prize Home Lottery program include:

- Total retail value of lottery prizes for 2010 was \$1.75 million. While other lottery programs may have higher total prize values, ticket prices are also significantly higher. The PNE Prize Home Lottery remains the most affordable lottery in BC.
- The 2010 lottery included three early bird draws. The first was \$5,000 in grocery gift cards from MarketPlace IGA. The second early bird prize was an elite-class trip for two to Bali including seven nights at a five-star resort, compliments of EVA Air and Tour East Holidays. The third and final early bird prize

was a \$10,000 pre-loaded Vancity Visa card and two road bikes.

- The 2010 prize home included an energy-efficient design with natural gas appliances, energy-efficient windows, and a hydronic heating and cooling system with in-floor radiant and forced-air heating and air conditioning. Solar thermal panels were integrated to provide all the required hot water with 50% less energy.
- This was the second year that the grand prize package home was located on a panoramic view lot on Kirschner Mountain in Kelowna.
- A total of 1,298,400 tickets were purchased and entered in the draw, generating \$4.86 million in revenues for the lottery. Revenues were down 8% over 2009. **Figure 12 provides a six-year summary of PNE lottery revenues.**

Figure 12
PNE Lottery Gross Revenue



2010 ORGANIZATIONAL HIGHLIGHTS

COMMITMENT TO SUSTAINABILITY

The PNE continues to strive to improve our performance and achieve sustainability in all aspects of our business. A sustainability committee, formed in 2007, reports directly to the President and CEO, and is tasked with keeping sustainability initiatives moving forward.

Corporate Initiatives

Sustainability initiatives continued through 2010 include:

- The PNE's promotional vehicle, which represents the organization at events throughout the Lower Mainland, is a hybrid.
- The sustainability committee integrated organic recycling units in all staff rooms to help divert additional waste and promoted a battery and cellphone recycling program.
- Marketing collateral continues to be printed on recycled paper, and the retail ticketing program uses a recyclable styrene paper product for gift cards, rather than PVC plastic.
- Marketing efforts continue to move toward more web-based and email marketing initiatives to reduce paper use.
- Human Resources utilize direct deposit and epost for payroll, and most recruiting is done online rather than on paper. Old uniforms are donated to charitable organizations such as DeBrand or are reused as rags.
- In the PNE merchandise program, promotional bags are made from 100% recycled cotton, several promotional items are biodegradable corn products, and vegetable ink is used to print graphics on merchandise. Customer bags are made from 100% recycled paper.

- Suppliers are encouraged to provide environmentally preferred green, recycled and energy-efficient products wherever possible.
- The organization continues to utilize more trees and natural elements in ride and landscape theming throughout the site.

Year-Round Event Management Initiatives

The following efforts are undertaken to make our events more environmentally friendly:

- A beer cup recycling program was introduced in the Pacific Coliseum and Empire Stadium for all events.
- The sustainability committee expanded the Green Scene display at the Fair to highlight PNE sustainability initiatives.
- A blue bag recycling program for concessionaires and exhibitors remains in place during the Fair to encourage recycling of bottles, cans, plastics and cardboard. The PNE provided tall exhibitors with the bags and a collection service.
- Food and Beverage department upgrades include low-energy fixtures and energy-efficient appliances. Environmentally friendly cleaning products are used throughout the department.
- In event marketing materials, the PNE regularly promotes the use of public transportation to get to and from the PNE site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair.
- The PNE Prize Home showcases energy-efficient, sustainable features such as natural gas appliances, energy-efficient windows, and a hydronic heating and cooling system with



2010 ORGANIZATIONAL HIGHLIGHTS

in-floor radiant and forced-air heating and air conditioning, as well as solar thermal panels.

- During events, agricultural event dirt is reused, shavings are purchased in bulk and manure is composted, not thrown out. We have also developed an on-site partnership with Compost Canada to educate the public about composting.

Facilities Initiatives

The technical services department remains focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades. Progress in this area includes:

- Waste audits have been conducted in major facilities such as the Pacific Coliseum.
- The PNE continues to install low-flush toilets and urinals, as well as low-water-use faucets and high-efficiency lighting in all washrooms throughout the grounds.
- The Agrodome continues to benefit from the 2008 upgrade of new high-efficiency lighting in the main arena, as well as new ballasts to increase lighting efficiency.

- Our technical services department remains committed to the proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper.

- We replaced hundreds of T-12 fluorescent lights with more efficient T-8 lights throughout the site and new high-efficiency outdoor lighting fixtures have been installed in areas of the site such as the Pacific Coliseum Plaza.

- Leaves, grass clippings and tree trimmings are recycled for composting.

- The technical services team uses electric, propane or natural gas vehicles where possible (Zoom Booms, scissor lifts, scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.) and remains committed to exploring the conversion of other fleet vehicles.

The PNE is proud of its progress and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward. We understand there is much work yet to be done and remain committed to making sustainability progress.



2010 ORGANIZATIONAL HIGHLIGHTS

HASTINGS PARK —A VIBRANT URBAN PARK

The greatest strength of the PNE has always been our people and their ability to respond to changing times and reflect the emerging needs of our guests, our city and our province. This strength, coupled with our deep connection to Vancouver and Hastings Park, has enabled us to work with stakeholders to help shape a new plan for Hastings Park that will create a celebration site and a unique urban park, allowing for great events, experiences and memories for generations to come. On December 14, 2010, after six years of public consultation and planning, Vancouver City Council approved a 25-year Master Plan for the redevelopment of Hastings Park that will provide expanded green spaces with links to the city's green corridors, quiet blooming gardens, and pathways to and from every corner of the site. Softer landscapes and expanded space will allow Playland to expand and thrive as it continues thrilling families and kids of every age. In that plan, facilities will be redeveloped to provide increased access to celebrations, festivals, sport, music and family entertainment, as well as to facilitate the growth and evolution of the largest event in BC, that beloved end-of-summer tradition, the Fair at the PNE.

And, as we have for 100 years, the PNE will continue to proudly serve as the primary steward of Hastings Park, maintaining the facilities, gardens, trees, statues, benches, park equipment, and the landscaped public park areas throughout the grounds. Year-round care of these grounds and facilities is a regular budgeted operational expense. In fact, each year the PNE invests several million dollars to ensure the park remains well maintained for the community to enjoy year-



round. In 2010, \$2.79 million were invested in park and facility maintenance.

Some of the improvements made in 2010 include the addition of thousands of daffodils and alliums site-wide. Hundreds of annuals throughout the site were replaced with perennials. Ornamental grasses were planted in addition to shrubs and flowers surrounding facilities such as the Agrodome, Pacific Coliseum, Forum and Rollerland. Careful pruning in the sanctuary improved sightlines and provided a more welcoming feel. Maintenance schedules were enhanced in Momiji Gardens, and perennials were added to the Italian Gardens. To ensure that areas such as the Italian Gardens, Momiji Gardens and the Sanctuary remain in their vibrant and naturally intended states, the PNE has specially trained horticultural teams on staff, and the team continues to consult with the City of Vancouver and the Vancouver Park Board as well as the Vancouver Japanese Garden Association to enhance our best practices.

The PNE works diligently to minimize weather impacts on the park and gardens and remains committed to protection and enhancement.

With 100 years of history at Hastings Park, the PNE remains committed to celebrating the park and to making it an open, accessible space for the public to enjoy. Many steps continue to be taken to reduce real and perceived barriers to public enjoyment of the park and we welcome the enhancements proposed in the Master Plan to ensure the long-term sustainability of Hastings Park, and to improve public access to and enjoyment of the site, while also meeting the needs of the millions of annual guests who come to celebrate at PNE events. Details of the approved Hastings Park Master Plan can be found on the City of Vancouver's website: vancouver.ca/pnepark.



2010 ORGANIZATIONAL HIGHLIGHTS

COMMUNITY INVESTMENTS

The PNE continues to be very proud of the role it plays to support its local community, as well as its wider communities. Our focus remains on positively impacting the city-wide and provincial community through our award-winning community outreach programs. The PNE has a proud and long-standing tradition of giving back. In 2010, this was no different, and highlights of PNE community initiatives included:

- The KC's Kids ticket donation program awarded 664 Playland tickets, 920 Fair tickets, and 396 Fright Nights tickets across 85 organizations.
- In addition to KC's Kids, over 1,500 tickets were donated to 389 different groups in support of their fundraising events and leadership reward or prizing programs in 2010. Recipients of this ticket donation program included the BC Cancer Foundation, BC Lions Society for Children with Disabilities, MS Society of Canada and BC Rainbow Alliance of the Deaf.
- Through the Neighbourhood Ticket Program, the PNE provided over 9,000 complimentary tickets to local households to thank our neighbours for their ongoing support.
- The Neighbourhood Outreach Program provided 2,120 tickets to 15 local schools in the Hastings Park area throughout 2010, and over 560 tickets to local community groups such as Hastings Community Association, Hastings North Business Improvement Association and Kiwassa Neighbourhood House.
- In 2010, it was the sixth year that the PNE has hosted the annual Terry Fox National School Run Day at Empire Field. This year, over 3,000 local schoolchildren participated

from 10 schools. Participation almost doubled over 2009, and we hope to see this event continue to grow.

- In July, the PNE hosted a charity golf tournament in honour of the 100th Anniversary and raised over \$18,890 for Hastings Little League to put toward their plans to renovate their diamonds in order to host the 2016 Little League National Championships.
- Numerous non-profit associations were provided messaging through the Charity Readerboard Message Program. In 2010, 19 different organizations benefited from complimentary space on the electronic readerboard at the corner of Hastings and Renfrew Streets to help these organizations raise awareness of important messages and causes.
- In the longest-standing and most far-reaching PNE community program, the PNE distributed over 300,000 complimentary Fair admission tickets to students enrolled in kindergarten through grade seven across BC through the Report Card Fair Ticket Program. This is one of the PNE's legacy community programs; over 15 million admission tickets have been



given out since the program started in the 1940s, and in 2010, over 32,200 kids enjoyed these tickets.

- The PNE continued to award a \$500 Miracle Mile Athlete Bursary each month throughout 2010 to a BC amateur athlete who demonstrated dedication to sport, leadership and commitment to the community. A total of 12 bursaries were awarded throughout 2010.
- Two very important programs at the PNE are the Neighbourhood Clean-Up Crew and the Neighbourhood Bike Patrol. These teams patrol the streets around the PNE grounds during various events, including the Playland season, the Fair at the PNE, and Fright Nights, picking up garbage and providing a presence for community safety. The clean-up crew



2010 ORGANIZATIONAL HIGHLIGHTS

helps clean up the community twice a day for all 17 days during the Fair and for 36 of the busiest days during Playland. The bike crews are out during peak times of the Fair and Fright Nights.

- The PNE continued in 2010 to provide options for residents in the Hastings-Sunrise area to access the park and Sanctuary during the 17 days of the Fair, ensuring neighbours have access to paths for jogging and other regular park activities.
- The PNE continued to provide subsidized facility rentals, ticket donations, operational support and ice time to numerous non-profit and community groups.
- The PNE also continued to support a variety of neighbourhood groups, such as Hastings Community Little League, with a place to practice in the off-season and with Playland Passes for 400 players at their season opening ceremonies.
- Every year, the PNE hosts an annual charity auction in support of the BC Youth in Agriculture Foundation. In 2010, over \$36,500 was generated for this key charity that represents the roots that the PNE was founded on, showcasing the best of British Columbia agriculture to the world.
- The PNE hosted the 39th annual CKNW Orphans' Fund picnic in Playland, an annual event that brings underprivileged kids to the park for their own private day of fun, food and rides.
- Staff regularly participate in a monthly workplace Jeans Day to support local charities such as BC Professional Fire Fighters' Burn Fund and BC Children's Hospital.
- The PNE is proud to host Charity Days during the Fair, where management works with a



number of partners to help raise funds on-site. This year, those partners included Canstruction, the Greater Vancouver Food Bank Society, The Vancouver Sun Raise-a-Reader campaign and the Canada Safeway Foundation.

The PNE remains committed to its existing community outreach programs and is always looking for opportunities to increase reach and implement new and relevant programs for the future. And while the PNE itself is a non-profit registered charity, we continue to take great pride in generously giving back to other local organizations doing work to support our shared communities. In 2010, over \$60,000 was raised for charity directly through PNE initiatives. The PNE is proud to play a role in supporting those organizations doing such great work.



2010 ORGANIZATIONAL HIGHLIGHTS

CELEBRATING PNE ACHIEVEMENTS

The PNE also takes great pride in working to be the best it can be, and the hundreds of awards it has received this decade highlight the organization's collective achievements. We are proud to be recognized as an award-winning organization across many industries. From entertainment to guest services, and from marketing to human resources, our programs continue to set the industry standard for quality and creativity. In 2010, the PNE celebrated the following achievements:

- **The International Association of Amusement Parks and Attractions (IAAPA)**—The Brass Ring Awards are some of the most prestigious industry awards. In 2010, Playland won Best TV Spot and Best Print Campaign for "Let it out." As well, "KABOOM" won Best Live Entertainment Show.
- **The Advertising & Design Club of Canada**—Playland won a gold for the TV spot "Snackbar" and two silver awards for the radio spots "Rebrand" and "Prepared Statement".
- **International Festivals & Events Association (IFEA) Pinnacle Awards**—Playland won one gold and two silver awards for Best Radio Promotion for our "Teenager", "Business" and "Frustrated Announcer" radio spots.
- **International Festivals & Events Association (IFEA) Pinnacle Awards**—The Fair won silver for Best T-shirt Design (Merchandise) and Best Radio Promotion for "Daddy, when can we go!" As well, the Fair won a bronze award for Best TV Commercial for "Daddy, when can we go!"

- **Extra Awards**—The Playland outdoor campaign of "Brain", "Heart" and "Guts" won bronze.
- **Canadian Marketing Association (CMA) Marketing Awards**—Playland won three silvers for the "Heart", "Guts" and "Brain" outdoor campaign, a silver for the TV spot "Snackbar" and a bronze for the radio spot "Rebrand".
- **Advertising Agency Association of British Columbia (AAABC) Lotus Awards**—Playland won Best TV spot for "Let it Out—Airplane", Best Radio Spot for "Prepared Statement" and Best Radio Campaign for "Hellevator", "Revelation" and "Wilderness". Playland also won Best Outdoor for "Let it Out—Megaphone".
- **Western Fairs Association (WFA)**—The Fair won First Place for the 100th Anniversary commemorative book, First Place for the TV spot "Daddy, can we go!", First Place for Merchandise with the 100th Anniversary Cup, First Place for Best New Event with the 100th Anniversary Parade, and First Place for Innovative Use of Technology with the PNE iPhone application. As well, the Fair won Second Place for our Fright Nights viral video, and our Fair Souvenir Program. Lastly, the Fair won Third Place for our "Celebrating 100 Years of Fun" street banner program.
- **The Crystal Awards (Radio Marketing Bureau)**—Playland radio spots "Prepared Statement" and "Rebrand" were both finalists.



Daddy, when can we go!



2010 ORGANIZATIONAL HIGHLIGHTS

CELEBRATING 100 YEARS OF THE PNE TEAM

When you mention the PNE, it seems that everyone has a story about working here or knowing someone who did. That's not surprising, given that more than 160,000 people have worked on these grounds during the organization's 100 years. Thousands of people each year work tirelessly behind the scenes to make this a truly great institution, and their stories are as rich as the history of the PNE.

As the largest employer of youth in BC, the PNE offered many their first jobs, and many of those staff have stayed for 30 years or more. In some cases, three generations in a family have worked at the PNE. In other cases, staff met, fell in love and went on to share their lives with the PNE. This is what makes the PNE great—its people and their passion. The story of the PNE is as much about its staff as it is about events and guests. People come here each day, share their ideas and make great things happen. They give their best and work to provide generations of great memories for our guests. This has helped to shape the PNE into the icon it is today.

THE PNE IS PROUD TO BE A CUPE 1040 UNION SITE.

Throughout 2010, the PNE proudly employed 3,500 staff, filling 494 full-time equivalent jobs. Due to the magnitude of celebrations and events in 2010, staffing levels were moderately higher than in previous years, and in total, the PNE hired 1,487 full-time employees, 1,479 part-time

year-round employees, 1,249 seasonal staff (including Playland), 195 full-time employees, and maintained a team of 62 management employees. More than 2,000 of these employees were youth, continuing to make the PNE the largest employer of youth in BC. The PNE is proud to be a CUPE 1040 union site and works closely with additional unions on-site, such as the International Union of Operating Engineers (IUOE 882 and International Alliance of Theatrical and Stage Employees (IATSE).

The PNE takes great pride in providing young people with their first jobs and with key skills that will help to shape the next generation of leaders. With this goal in mind, the PNE also launched a new PNE Youth Council during 2010, a program dedicated to providing leadership opportunities for community-minded high school-aged youth from throughout the Lower Mainland. This group was actively involved in learning and sharing ideas about various aspects of the PNE business.

The PNE is also committed to providing ongoing health and wellness opportunities for staff. Initiatives include a staff-run social club as well as a health and wellness committee. Programs vary from year to year depending on feedback from all staff, but throughout 2010, programs included year-round access to an on-site fitness centre and health improvement programs such as stop smoking programs, access to Weight Watchers on-site, weekly yoga and Pilates classes, and boot camp exercise programs. Past programs have also consisted of employee health fairs and learn-to-run training clinics. All programs are made available either free of cost or at a reduced rate for employees.

**MORE THAN 50% OF THE
EMPLOYEES WHO WORK AT
THE PNE LIVE IN THE CITY
OF VANCOUVER.**

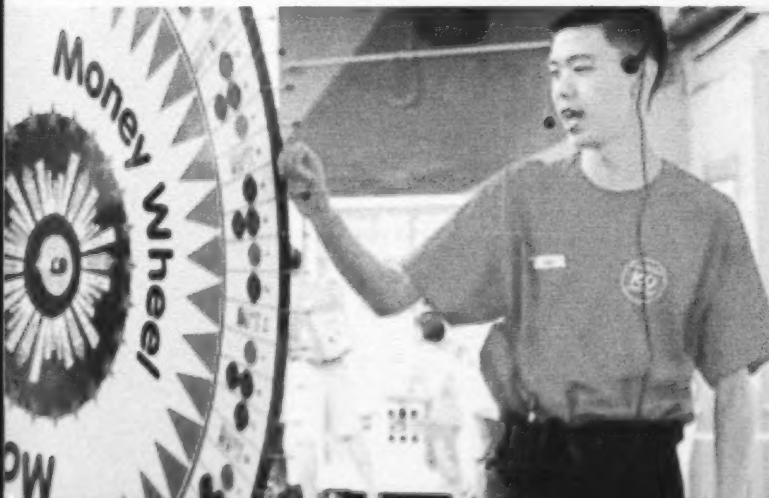


**THE PNE TAKES GREAT PRIDE
IN RECOGNIZING THE COMMIT-
MENT AND SERVICE OF OUR
TEAM AND HAS A NUMBER
OF PROGRAMS DESIGNED
TO APPRECIATE THOSE WHO
GO ABOVE AND BEYOND. IN
2010, THESE INCLUDED THE
SPOTLIGHT PROGRAM FOR
YEAR-ROUND STAFF AND THE
RECOGNITION SNAPSHOT FOR
FULL-TIME EMPLOYEES.**

2010 ORGANIZATIONAL HIGHLIGHTS

LOOKING AHEAD

What can you expect for the PNE's next 100 years? First and foremost, the PNE will remain a social and cultural gathering place for Vancouver. The breadth of events will continue to echo the diversity of our communities. This is the heart of the PNE story: providing moments of celebration, sport, music and play, and a place to spend time with family and friends in a fast-paced and changing world. As we look to the future, imagine expanded green spaces with links to the city's green corridors, quiet blooming gardens, and pathways to and from every corner of the site. Softer landscapes and expanded space will allow Playland to thrive and continue thrilling families and kids of every age. Facilities will be redeveloped to provide increased access to celebrations, festivals, sport, music and family entertainment as well as facilitating the growth and evolution of the largest event in BC, that beloved end-of-summer tradition, the Fair at the PNE.



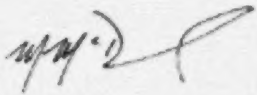
FINANCIAL STATEMENTS

REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

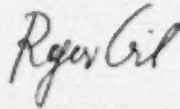
The **Pacific National Exhibition Incorporation Act** requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. The statements were prepared using Canadian Generally Accepted Accounting Principles. The statements include amounts based on management's estimates and judgments. We believe that these statements represent fairly the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfil this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2010 annual report have verified its completeness and accuracy. Our independent auditors, KPMG LLP, have audited the financial statements using Canadian Generally Accepted Auditing Standards, to the extent necessary to form an independent opinion on the financial statements prepared by management.

It is important to note that in 2010, the PNE fiscal year-end was changed from a December 31 to a March 31 year-end. This means that the 2010 year-end was extended to March 31, 2011 for this fiscal year and the financial reporting covers a 15-month period for 2010.



Michael McDaniel
President and Chief Executive Officer



Roger Gil
Vice President, Finance and Corporate Services

2010 BOARD OF DIRECTORS

Mr. Raymond Louie—City of Vancouver Councillor, Chair

Mr. Malcolm Bromley—General Manager, Vancouver Park Board, Vice Chair October 2010 to December 2010

Ms. Patrice Impey—General Manager, Financial Services, City of Vancouver, Treasurer

Ms. Sarah Blyth—Vancouver Park Board Commissioner, Director

Ms. Cheryl Carline—CEO, Greater Vancouver Food Bank Society, Director

Mr. Sadhu Johnston—Deputy City Manager, City of Vancouver, Director

Mr. Peter Kuran—Acting General Manager, Vancouver Park Board, Director to October 2010

Mr. Peter Legge—President and CEO, Canada Wide Media Ltd., Director

Mr. David McLellan—General Manager, Community Services, City of Vancouver, Director

Mr. Richard Saunders—Workers Advocate, Workers' Compensation Board of BC, Director

Mr. Paul Sihota—City of Vancouver Fire and Rescue, Director

Ms. Nancy Wright—Vice President, Marketing, GLOBE Foundation, Director

EXECUTIVE MANAGEMENT COMMITTEE

Mr. Michael McDaniel—President and Chief Executive Officer

Mr. Roger Gil—Vice President, Finance and Corporate Services

Ms. Shelley Frost—Vice President, Marketing

Mr. Michael MacSorley—Vice President, Operations, to March 2010

Mr. Peter Male—Vice President, Sales

Ms. Stacy Shields—Vice President, Human Resources, April 2010 to current (maternity leave January to April 2010)

Mr. Jeff Strickland—Acting Vice President, Human Resources, January to April 2010 and Vice President, Operations, November 2010 to current

Ms. Kate Huffman—Acting Executive Assistant and Corporate Secretary, April to December 2010

Ms. Salome Valente—Executive Assistant and Corporate Secretary, January to April 2010 (maternity leave April to December 2010)

CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit registered charity owned by the City of Vancouver. The company's business affairs are the responsibility of the Board of Directors, a City Council appointed body. The PNE's Board of Directors is committed to ensuring corporate governance practices are open and effective and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

2010 AUDITOR

KPMG LLP, Chartered Accountants

Metrotower II
Suite 2400, 4720 Kingsway
Burnaby, BC Canada V5H 4N2

Telephone: 604-527-3600

Fax: 604-527-3636

Web: www.kpmg.ca

KPMG LLP
Chartered Accountants
Metrotower II, Suite 2400-4720 Kingsway
Burnaby BC V5H 4N2 Canada
Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca



To the Directors of the Pacific National Exhibition

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific National Exhibition, which comprise the statement of financial position as at March 31, 2011, the statements of operations and changes in net assets and cash flows for the fifteen months then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific National Exhibition as at March 31, 2011 and its results of operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Pacific National Exhibition Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants
July 21, 2011
Burnaby, Canada

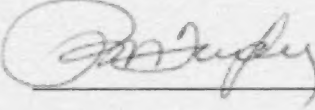
KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

	March 31, 2011	December 31, 2009
ASSETS		
<u>Current</u>		
Cash	\$ 347,523	\$ -
Accounts Receivable	1,257,075	3,851,470
Inventories (Note 3)	1,027,458	981,839
Prepaid Expenses	953,317	817,576
		5,650,886
Property and equipment (Note 4)	14,850,421	12,799,456
	\$ 18,435,794	\$ 18,450,341
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Bank Indebtedness (Note 5)	\$ 1,968,281	\$ 71,792
Accounts Payable and accrued liabilities	3,048,722	3,084,635
Bank Loans (note 5)	10,481,503	7,113,000
Deferred Revenue	486,253	387,927
Current portion of obligations under capital leases (Note 7)	364,145	612,387
	16,348,904	11,269,741
Deferred capital contributions (Note 6)	678,009	814,663
Obligations under capital leases (Note 7)	595,433	2,067,954
	17,622,346	14,152,358
<u>Net Assets</u>	813,448	4,297,983
Nature of operations (note 1)		
Commitments and contingencies (note 9)		
	\$ 18,435,794	\$ 18,450,341

See accompanying notes to financial statements.

Approved by the Board of Directors


Director


Director

	Fifteen months ended March 31, 2011	Twelve months ended December 31, 2009
REVENUE:		
Events	\$ 5 2,785,631	\$ 45,678,223
Amortization of deferred capital contributions	136,654	180,277
Other	708,955	155,706
	53,631,240	46,014,206
EXPENSES:		
Cost of goods sold	4,258,262	3,068,912
General and administrative	22,465,596	21,603,841
Payroll	27,811,119	19,419,116
	54,534,977	44,091,869
EARNINGS (LOSS) BEFORE OTHER EXPENSES	(903,737)	1,922,337
OTHER EXPENSES:		
Amortization	1,984,935	1,455,391
Interest on bank loans	385,539	200,574
Interest on capital leases	210,324	113,105
	2,580,798	1,769,070
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(3,484,535)	\$ 153,267
NET ASSETS, BEGINNING OF PERIOD	4,297,983	4,144,716
NET ASSETS, END OF PERIOD	\$ 813,448	\$ 4,297,983

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

FIFTEEN MONTHS ENDED MARCH 31, 2011

	Fifteen months ended March 31, 2011	Twelve months ended December 31, 2009
CASH PROVIDED BY (USED IN) OPERATIONS:		
OPERATIONS:		
Excess (deficiency) of revenue over expenses for the period	\$ (3,484,535)	\$ 153,267
Items not affecting cash:		
Amortization	1,984,935	1,455,391
Amortization of deferred contributions	(136,654)	(180,277)
Net change in non-cash working capital items	2,475,448	(1,383,692)
	839,194	44,689
FINANCING:		
Increase in bank loans	3,368,503	1,799,000
Principal payments under capital leases	(1,720,763)	(751,875)
	1,647,740	1,047,125
INVESTMENTS:		
Purchase of property, plant and equipment	(4,035,900)	(1,233,039)
Decrease in cash	(1,548,966)	(141,225)
Cash, beginning of year	(71,792)	69,433
CASH, END OF YEAR	\$ (1,620,758)	\$ (71,792)
Cash is comprised of cash and bank indebtedness.		
Non-cash financing transaction not included in cash flows:		
Capital asset acquisitions through capital lease	\$ -	\$ 1,888,379
Supplementary information:		
Interest paid	385,539	200,574

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS:

Pacific National Exhibition ("PNE") is a premier entertainment destination in the province of British Columbia. It has four main activity streams: an annual 17-day fair, Playland amusement park, year-round facilities which are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park.

PNE was established in 1910 and incorporated in 1973 under the Pacific National Exhibition Incorporation Act of the Province of British Columbia. The mission of PNE is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004, PNE became wholly owned by the City of Vancouver and is an independently operated entity. As a result of its ownership and its registered charity status, PNE is not subject to income taxes.

These financial statements have been prepared on the basis that PNE is a going concern, which assumes that PNE will continue to realize its assets and discharge its liabilities in the normal course of operations. As at March 31, 2011, PNE had a net asset balance of \$813,448 (2009 - \$4,297,983), deficiency of revenue over expenses of \$3,484,535 (2009 - excess of revenue of \$153,267) and working capital deficiency of \$12,763,531 (2009 - \$5,618,856). Furthermore, as at March 31, 2011, primarily as a result of its change in year-end (note 2(b)), PNE was not in compliance with the tangible net worth covenant requirement under its banking arrangements. Subsequent to year-end, a waiver was received from the lender confirming that no immediate action would be taken on the credit facilities and that they would revise the covenant to a more appropriate level reflective of the revised year-end. PNE's ability to continue as a going concern is dependent upon, among other things, achieving profitable operations and the continued support of its lenders and its parent, the City of Vancouver.

2. SIGNIFICANT ACCOUNTING POLICIES:**(A) BASIS OF PRESENTATION:**

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(B) CHANGE OF FINANCIAL YEAR END:

During 2010, PNE received approval from its Board of Directors to change its year end from December 31 to March 31. As such, the current period financial statements will be prepared as at and for the 15 month period ending March 31, 2011. Management has chosen to show the comparative period on the financial statements as the 12 months ended December 31, 2009 (which was audited in the prior year).

(C) INVENTORIES:

Inventories, consisting of stores, plush toys, merchandise, and food and beverages, are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost of inventories includes acquisition and all costs incurred to deliver inventory to PNE's head office, including freight, non-refundable taxes, duties, and other landing costs.

PNE periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. The amount of the provision is equal to the difference between the cost of the inventories and its estimated net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**(D) PROPERTY AND EQUIPMENT:**

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

ASSET	BASIS	RATE
Machinery, furniture and equipment	Declining balance	10 - 30%
Playland rides and equipment	Straight-line	15 - 40 years
Playland rides under capital lease	Straight-line	15 - 40 years
Leasehold improvement	Straight-line	Term of lease

When the property and equipment no longer contributes to PNE's ability to provide services, its carrying amount is written down to its residual value.

(E) DEFERRED REVENUE:

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises deposits for events that are not recognized in revenue until the related event is held.

(F) REVENUE RECOGNITION:

Revenues from the annual fair (the "Fair") are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded following the deferral method. Contributions are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recorded as revenue when they are deemed receivable. Contributions with a designated purpose are deferred until used for the intended purpose. Contributions to fund property or equipment acquisitions and improvements are deferred and recognized on the same basis as the related property or equipment is amortized.

(G) USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses for the reporting period of the statement of operations. Areas involving significant estimation include contingencies and the useful life and amortization rates of property and equipment. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**(H) FINANCIAL INSTRUMENTS:**

PNE accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

Financial instruments are classified into one of five categories: held for trading held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations; available-for-sale financial instruments are measured at fair value with changes in fair value recorded as changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations.

In accordance with Canadian generally accepted accounting principles, PNE has undertaken the following:

- (i) Designated cash as held for trading, being measured at fair value.
- (ii) Amounts receivable are classified as loans and receivables, being measured at amortized cost.
- (iii) Bank indebtedness, accounts payable and accrued liabilities and bank loans are classified as other financial liabilities, being measured at amortized cost.

(I) CHANGES IN ACCOUNTING STANDARDS:

Effective January 1, 2012, PNE's current accounting framework will no longer exist. PNE is a government not-for-profit organization controlled by the City of Vancouver and thus Public Sector Accounting Standards will be PNE's new financial reporting framework. This will impact PNE's March 31, 2013 financial statements. Management is currently evaluating the impact of adopting this new accounting framework.

3. INVENTORIES:

	MARCH 31, 2011	DECEMBER 31, 2009
Stores	\$ 273,615	\$ 265,137
Plush toys	182,122	170,247
Merchandise	136,089	197,281
Food and beverages	435,632	349,174
	\$ 1,027,458	\$ 981,839

The amount of inventory recognized as an expense during the period is \$4,258,262 (2009 - \$3,068,912).

4. PROPERTY AND EQUIPMENT:

	MARCH 31, 2011		DECEMBER 31, 2009
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Machinery, furniture and equipment	\$ 14,044,019	\$ 6,885,241	\$ 7,158,778
Playland rides and equipment	13,565,371	8,637,816	4,927,555
Playland rides under capital leases	1,678,496	313,415	1,365,081
Work in progress	1,399,007	-	1,399,007
	\$ 30,686,893	\$ 15,836,472	\$ 14,850,421
			\$ 12,799,456

5. BANK LOANS:

PNE has a revolving facility with a Canadian chartered bank providing for maximum borrowing of \$16.4 million in operating credit and \$5 million for instalment loan for capital purchases.

The facilities bear interest at the bank prime rate and are due on demand. A general security agreement covering all assets and undertakings of PNE has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver. In addition, the guarantee by the City of Vancouver includes letters of guarantee outstanding totaling \$60,000 (2009 - \$45,000).

Included in the bank loans is an amount of \$nil denominated in US dollars (2009 - \$1,270,000). The interest due on this loan is payable in US dollars.

As at March 31, 2011, PNE was not in compliance with the tangible net worth covenant requirement. Subsequent to year end, a waiver confirming that no immediate action will be taken on the credit facilities has been obtained from the lender.

6. DEFERRED CAPITAL CONTRIBUTIONS:

	MARCH 31, 2011	DECEMBER 31, 2009
Balance, beginning of year	\$ 814,663	\$ 994,940
Less amounts amortized to revenue	(136,654)	(180,277)
Balance, end of year	\$ 678,009	\$ 814,663

7. OBLIGATIONS UNDER CAPITAL LEASES:

The future minimum lease payments under capital leases are as follows:

Year ending March 31:	
2011	400,139
2012	380,629
2013	215,454
2014	23,469
2015 and thereafter	-
	1,019,691
Less amount representing interest	(60,113)
Principal obligation	959,578
Less current portion	(364,145)
	\$ 595,433

Interest rates on capital leases range from 4.40% - 7.00% annually.

The capital leases provide that at the end of the respective lease terms, PNE is required to either extend the term of the lease, purchase the asset based on a pre-determined option price, or return the asset to the lessor and pay the lessor any shortfall between the fair value of the asset upon return and the pre-determined residual value.

The above lease schedule of lease payments assumes that the purchase options are exercised at the end of the lease term.

8. PENSION PLAN:

The municipality and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. Contributions to the Plan in fiscal 2011 are comprised of:

	MARCH 31, 2011	DECEMBER 31, 2011
Employee portion	\$ 843,401	\$ 623,502
Employer portion	875,489	643,082
	\$ 1,718,890	\$ 1,266,584

9. COMMITMENTS AND CONTINGENCIES:

(a) Various lawsuits and claims are pending by and against the PNE. The ultimate result of these claims is undeterminable and it is the opinion of management that final determination of these claims will not materially affect the financial position of the PNE. Estimates of costs anticipated to result from claims are accrued where the amount can be reasonably estimated. Any differences from the estimates or any losses on claims that cannot be estimated will be recorded in the year the settlements occur.

(b) PNE has entered into construction agreements for 2012 in the amount of \$430,000 (2009 - \$1,028,000).

(c) PNE has entered into an agreement for the purchase of a new ride in the amount of \$960,257 (2009 - nil).

10. RELATED PARTY TRANSACTIONS:

During the year, the PNE paid the following amounts to the City of Vancouver.

	MARCH 31, 2011	DECEMBER 31, 2011
Water billings	\$ 145,182	\$ 281,368
Policing services	595,152	138,258
Permits and other	43,597	25,395
	\$ 783,931	\$ 445,021

These transactions are in the normal course of operations and are measured at the exchange value, being the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is \$76,196 (2009 - \$685,818) due from the City of Vancouver. Included in accounts payable is \$20,717 due to the City of Vancouver (2009 - \$35,743).

PNE operates on land owned by the City of Vancouver, for which no rent is charged. In lieu of rent, PNE is required to maintain and upkeep the land.

11. FINANCIAL INSTRUMENTS:

Financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and bank loans. It is management's opinion that PNE is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

The fair value of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and bank loans all approximate their carrying value due to their relatively short maturities.

12. CAPITAL DISCLOSURES:

PNE receives its principal source of capital through event revenue. PNE defines capital to be net assets. PNE is not subject to any other external capital requirements or restrictions other than its requirement to maintain certain financial ratios for its loan covenants.

14. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



Pacific National Exhibition

2901 East Hastings Street
Vancouver, BC V5K 5J1

pne.ca